



PRIME MINISTER
BARBADOS

May 21, 2020

Dear Madame Chairman,

Thank you for taking the time to speak with me, my Attorney-General and Professor Avinash Persaud on Tuesday this week. I want you to know how very much we appreciated the frank nature of our discussion and your willingness to engage with your colleagues on Capitol Hill and beyond on behalf of your friends in the Caribbean.

You asked us to identify the most critical issues where we need your help. We have identified just two, separate, but related issues. First, the region's acute vulnerability to COVID-19 while the region is being denied access to concessionary finance, and second, the "blacklisting" of members of the region by the EU at this sensitive and critical moment.

The region's acute vulnerability to COVID-19
while the region is being denied access to concessionary finance

The impact of COVID-19 is powerful everywhere, but it is acutely, so in the Caribbean for three reasons:

The Caribbean is the world's most trade and travel dependent region. In many places, tourism represents in total close to 50% of GDP and employment. The actions taken by members of the global community and ourselves to contain the spread of COVID-19 are resulting in the most substantial contraction in economic activity since the Great Depression, and the cut is disproportionately deeper in the Caribbean. The Caribbean Development Bank forecasts a collapse in Caribbean economies of an average of 30%, with some individual countries experiencing a far steeper slide. This contraction makes the region utterly exposed as we approach the next hurricane season.

Rep. Maxine Waters



May 21, 2020

Rep. Maxine Waters

The public health capacity of small island developing states is limited and more so in lockdown. In the past, one of the options was to send patients abroad that we could not treat at home, but that is no longer the case. Access to emergency medical equipment and materials has become restricted and uncertain. And the Caribbean has one of the highest rates of uncontrolled diabetes, the critical co-morbidity of COVID-19.

The primary response of the major economies to COVID-19 has been a massive relaxation of monetary policy through a combination of near-zero interest rates, easy loans from Government, and substantial quantitative easing. This policy response is possible for countries large enough to be able to issue their currency but is not for small developing states. All of the burden of the crisis onto fiscal policy in a region that recently counted as the most indebted region in the world, and there is no fiscal space.

Despite these acute vulnerabilities, the region is being denied access to the support being given to those as vulnerable or even less so, because of an outdated and ill-suited definition of vulnerability: GDP per capita. It has been recognized by many for over thirty years that GDP per capita is a flawed measure of vulnerability for small populations and does not capture the risk of all-country wipe outs of small states. We welcome the debt relief offered to IDA-eligible countries by the Breton Woods Institutions. However, to discriminate today on who should receive support in a global pandemic based on historical measures of GDP per capita makes no logical, economic, medical, or moral sense. It captures neither who is most affected, nor, who is least able to respond to what they are facing. The fault lines of this crisis lie along the lines of trade and tourism dependency, the capacity of public health systems, and fiscal and monetary dependence. The vast majority of the Caribbean countries are not IDA-eligible, yet they face the same challenges and are as vulnerable, if not more so, than those that are.



May 21, 2020

Rep. Maxine Waters

The international community should not ask acutely vulnerable countries to choose between servicing debt or public health. This logical and moral exception has been made before. The Breton Woods institutions and others granted exceptional access to concessional finance to middle-income countries for HIV and AIDS-related projects. Then, the international community recognized that pandemics have the power to collapse per capita income levels and that current vulnerability and capacity to respond should be the driving force in how the international community distributed its assistance. The IMF gave exceptional access to Haiti after the earthquake and to west African countries after the Ebola outbreak.

There is a clear case to be made today for extending the restructuring of debt arrangements with creditors from IDA-eligible countries to those with acute vulnerabilities to this crisis. Just 12 months ago, private creditors would have generally accepted a global pandemic clause in debt arrangements that permitted, for instance, a 2-year moratorium on debt servicing of the debts for countries acutely vulnerable to the pandemic, with the term of the debt automatically extending for two years. If we cannot imagine and put in place orderly adjustments in public and private debt, we will end up with prolonged and disorderly ones that bring new and compounding dangers that affect everyone.

The “blacklisting” of members of the region at this critical time

On 7 May, 2020, the European Commission (the “**Commission**”) published:

- (i) a new methodology to identify alleged high-risk third countries that have strategic deficiencies in their anti-money laundering and countering terrorist financing (“**AML/CFT**”) regimes (the “**Revised Methodology**”);¹ and

¹ European Commission Methodology for identifying high-risk third countries under Directive (EU) 2015/849, 7 May 2020.



May 21, 2020

Rep. Maxine Waters

- (ii) a list of third countries with alleged deficiencies in their AML/CFT regimes that includes Barbados (the “**EC List**”).²

The Commission’s assessment of jurisdictions listed by the FATF is not genuinely transparent. The draft Delegated Regulation essentially reproduces the FATF’s findings. It fails to provide sufficient details on the “other relevant information” that the Commission allegedly took into account to include Barbados in the EC List.³

It is highly significant that the Commission did not include Barbados in its November 2018 independent assessment of “Priority 1” countries with potential deficiencies in national AML/CFT regimes.⁴ Nor was Barbados included in the Commission’s February 2019 list.⁵ Barbados has only been in the FATF list since February 2020. In contrast, other jurisdictions in the EC List had already been identified by the FATF in 2018.⁶ Further, it is also highly significant that the FATF noted in February 2020 that, since November 2017 Barbados has “made progress on a number of its MER recommended actions to improve technical compliance and effectiveness, including updating the National Risk Assessment and developing mitigating measures”.⁷ This assessment does not reflect a country that is recalcitrant or refuses to honor its obligations to fight money laundering and terrorist financing. In fact, it reflects quite the opposite.

² Commission Delegated Regulation (EU) .../... of 7 May 2020, amending Delegated Regulation (EU) 2016/1675 supplementing Directive (EU) 2015/849 of the European Parliament and of the Council.

³ This includes the content of the consultations with the Expert Group on Money Laundering and Terrorist Financing.

⁴ List of countries in the scope of the EU assessment on high risk third countries under Directive (EU) 2015/849 and list of Priority 1 countries (for assessment in 2018), 13 November 2018.

⁵ European Commission, Press Release, European Commission adopts new list of third countries with weak anti-money laundering and terrorist financing regimes, 13 February 2019.

⁶ FATF, Improving Global AML/CFT Compliance: On-going Process, 19 October 2018.

⁷ FATF, Jurisdiction under increased monitoring - 21 February 2020



May 21, 2020

Rep. Maxine Waters

The draft Delegated Regulation appears to be based on one or a combination of arbitrary, politically motivated and discriminatory grounds. For example, it fails to provide valid and comprehensible justifications for excluding from the EC List certain European countries that, like Jamaica and Barbados, were listed by the FATF.

Should the European Parliament and the Council eventually approve the draft Delegated Regulation, the EU and its Member States would implement a series of measures (the “**Mitigating Measures**”) that will cause damage to the economy of Jamaica, Trinidad and Tobago and Barbados’ and others at this most critical time. These effects would be both unjustified and disproportionate, particularly given these countries history of good faith cooperation with the EU.

The Mitigating Measures suggested by the EU Commission would almost assuredly violate a series of customary international law and treaty obligations. These include multiple provisions of the General Agreement on Trade in Services, the CARIFORUM-EU Economic Partnership Agreement and investment treaties.

In addition, as the EU is aware, Jamaica and Barbados have already provided a high-level political commitment to work on its AML/CFT regime with the FATF and the Caribbean Financial Action Task Force.

In sum, the draft Delegated Regulation was not established in a transparent process, with clear and concrete benchmarks. Nor did it respect Jamaica and Barbados right to be heard or allow it to undergo reforms to avoid being listed. The Governments of the region reiterate their unequivocal commitment to cooperate with the EU in the fight against money laundering and terrorist financing. That cooperation requires recognition from the EU for Barbados’ and Jamaica’s sovereign rights under international law and respect by the EU for the principles of good faith, equal treatment, non-discrimination and due process.



May 21, 2020

Rep. Maxine Waters

Again, I thank you and your staff for being so accommodating and willing to advocate on these matters on behalf of small island developing states and mainland countries of the Caribbean. I trust that once we have past the worst of the pandemic that I will be in a position to welcome you to our shores in the not-too-distant future.

With every good wish and blessings,

A handwritten signature in black ink, appearing to read 'Mia Amor Mottley', followed by a long horizontal line.

Mia Amor Mottley, Q.C., M.P.

This material is distributed by theGROUP DC LLC on behalf of the Government of Barbados. Additional information is available at the Department of Justice, Washington, D.C.